

Kosmas Meets with President Obama, Urges Fiscal Responsibility

Advocates for Economic Innovation, Action to Help Credit Markets, and Effective Regulatory Reform of Wall Street

(Washington, DC) - Today, Congresswoman Suzanne Kosmas (FL-24) and her colleagues from the fiscally conservative New Democrat Coalition met with President Obama to discuss the economic crisis. Kosmas expressed to the president the need for fiscal responsibility as he moves to bring the country out of economic recession.

"It is our moral obligation to focus on fiscal responsibility as we work to create long-term economic stability," said Congresswoman Kosmas. "We cannot afford to put the burden of our debts on the backs of future generations. I appreciate that the president is willing to have an honest dialogue and hear from us about our fiscally responsible priorities."

Kosmas and the New Democrats also urged for important goals such as aggressive action to free up our credit markets so individuals and small businesses can continue to invest, renewed economic innovation through alternative energy and green jobs, and regulatory modernization of our financial system to address the root causes of the crisis.

The New Dem Financial Services Task Force, of which Congresswoman Kosmas is a member, has outlined 21 principles for regulatory reform of the financial services industry to increase efficient and effective regulation, market stability and transparency, and robust consumer and investor protection.

"The regulatory reform principles laid out by our task force are designed to ensure that hard-working Floridians are not penalized for Wall Street's lack of responsibility and accountability," said Kosmas. "We have an obligation to the public to create effective regulation that protects consumers and promotes financial stability and transparency. Addressing the root causes of our financial crisis will help working families, small businesses, and retirees who depend on credit and a stable market."

Details on the New

Dem Financial Services Task Force regulatory reform principles are below:

NEW DEMOCRATS' PLAN FOR CREATING A

21st CENTURY FINANCIAL REGULATORY STRUCTURE

With the near collapse of our financial system last fall, the American people are expecting Congress to modernize and reform our financial regulatory structure. New Dems will advocate efficient, effective regulation that strengthens consumer and investor protections and promotes market stability and transparency. In addition we support legislation which creates uniform financial regulatory standards across national and international markets.

Efficient and Effective Regulation

- Create a systemic risk regulator that can monitor systemically important institutions and their counterparties to mitigate the risk of systemic collapse.
- Reduce redundant regulatory structures in exchange for robust regulatory oversight.
- Ensure oversight over new financial instruments that currently do not have regulatory oversight.
- Require regulators to use prudential supervision to proactively work with those they regulate to prevent violations and keep communication lines open to better monitor efficacy and unintended consequences.
- Increase coordination and communication between federal regulators through expansion of the President's Working Group on the Financial Markets to include all federal financial regulators.
- Modernize the regulation and oversight of the insurance industry to ensure adequate information and a consolidated U.S. position in international trade discussions.

Market Stability and Transparency

- Reform how regulators evaluate capital requirements when using fair value accounting values (mark to market) on hold to maturity assets in a temporarily impaired market.
- Prohibit excessive leverage on debt and derivative instruments by requiring necessary capital reserves to prevent against the potential risk of default.
- Create a countercyclical mechanism to temper extreme market fluctuations.
- Support measures to prohibit manipulation that can lead to extreme fluctuations in securities prices that could destabilize fair and orderly markets.
- Support open exchanges and price disclosure to increase transparency in opaque markets like the credit default swaps market
- Require lenders to hold a small percentage of loans in a first loss position to ensure originators retain some stake in the loans they underwrite.
- Conduct a thorough review of rating agencies' methodologies, models and compensation structures to ensure that ratings are accurate and not subject to conflict.
- Hold Treasury accountable to regularly collect data from all federal sources that receive financial data from recipients of TARP funds.

Robust Consumer and Investor Protection

- Aggressively pursue a multi-tiered strategy that prevents unnecessary foreclosures for credit worthy borrowers while protecting taxpayers and preserving the moral hazard principle.
- Work towards reintroduction of mortgage reform legislation and pass into law.
- Ensure that credit is available and appropriate for consumers through strengthened oversight and regulation of predatory loans while protecting businesses' ability to price for risk.
- Hold federal financial regulators accountable for enforcement of consumer and investor protections.
- Protect and continue to encourage simpler disclosure of status and terms and conditions of Americans' retirement and investment accounts.
- Reduce incentives for excessive risk taking and improve corporate governance by empowering shareholders.
- Increase fraud prevention efforts.

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